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CalPERS Investment Office
Ms. Anne Stausboll
Interim Chief Investment Officer
P.O. Box 2749
Sacramento, CA 95812-2749

U.S.A.

January 11, 2006

Dear Ms. Stausboll,

Many thanks indeed for your letter of Dec 22nd, 2005. Obviously, we are disappointed to learn about CalPERS Investment Committee's motion to demand that Siemens ceases its operation in Sudan.

As we have outlined in earlier communication with you, Siemens firmly believes that its activities in Sudan are conducted in full compliance with US guidelines and various international norms. To our understanding the guidelines of the US administration are based on Senator Danforth's recommendation. He calls for "constructive engagement" and is convinced that "part of the resolution of the situation in Sudan has to include the economic development of the country". In this connection we also take note of the position of the NFTC as reflected in the enclosure.

We have also pointed out the dilemma we would face in case of a withdrawal from Sudan, given the responsibility we feel towards our Sudanese employees. We would be equally concerned that they might seek redress in US courts and through media coverage if we were forced to let them go on account of CalPERS' demand.

Similarly, based on provision of the German Stock Corporation Law, other investors may demand exactly the opposite from us, i.e. to continue our operations in Sudan,

and threaten legal action if we would concede to CalPERS' demands. All this would ultimately make it impossible for any company to manage its business in the best interest of all shareholders, but also all its other stakeholders.

Siemens takes its corporate responsibility very seriously; also, we aspire to be a good corporate citizen in all countries we are operating in because such approach has allowed us to succeed over the company's 158 years history. This approach will, therefore, also guide us in the future. This operational framework of Siemens is presented comprehensively on our web page and very likely will have played an important role in CalPERS' initial decision to invest in Siemens shares. Therefore, we call on CalPERS Investment Committee to appreciate our reasoning, while we fully respect and share its concerns in respect to the Dafur situation, and all similar situations elsewhere around the world.

Please do not hesitate to contact us in case there are additional questions.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Müller", with a stylized flourish at the end.

encl.

NATIONAL FOREIGN TRADE COUNCIL, INC.

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April 12, 2005

Honorable Albio Sires
Speaker New Jersey Assembly
Majority Office
State House
P.O. Box 098
Trenton, NJ 08625

Dear Mr. Speaker:

It has come to the attention of the National Foreign Trade Council (NFTC) that the New Jersey Assembly has passed A. 3482, requiring public pension fund managers to divest holdings in foreign entities with business activities in Sudan.

While the situation in Darfur is undoubtedly tragic, the U.S. business community opposes the politicization of U.S. capital markets. In the case of Sudan, American firms are currently banned by executive order from trade and investment. Foreign firms listed on U.S. security exchanges currently disclose investment information "material to the reasonable investor" as prescribed by the Securities and Exchange Commission and this standard has evolved over decades.

Divestment will not likely change the behavior of the Sudanese regime and will ultimately harm U.S. investors. Companies that lose access to U.S. capital markets and investors for political and social reasons will simply turn to other global capital markets for funds. U.S. capital markets will be affected as global companies avoid them for fear of being the next target of market sanctions in the U.S. In addition, foreign governments may seek to retaliate by barring certain U.S. companies from listing on exchanges abroad or prohibiting pension fund investment in U.S. companies by foreign investors based on their own political motives.

Moreover, we believe that this provision may be unconstitutional. In its *NFTC vs. Crosby* ruling, the Supreme Court found that state and local laws relating to foreign policy that are implemented in addition to federal sanctions on the same country intrude upon the exclusive power of the national government to regulate foreign affairs, discriminate against companies engaged in foreign commerce, and subvert the policies and objectives of the federal sanctions regime:

It is implausible to think that Congress would have gone to such lengths to empower the President had it been willing to compromise his effectiveness by allowing state or local ordinances to blunt the consequences of his actions. (*Crosby v. NFTC*, 2000)

The precedent created by this ruling has resulted in the revocation or suspension of many previously enacted selective purchasing restrictions on Burma at the state and local level over the past five years. In this case, federal policy toward Sudan is clearly articulated under Executive Orders, primarily 13067, dating back to 1997 and more recently with the passage in 2002 of the "Sudan Peace Act" (Public Law No: 107-245).

The NFTC represents the interests of hundreds of companies in support of open international trade, and as the sponsor of the USA*Engage coalition, opposes counterproductive unilateral sanctions. America's values, security and prosperity are best advanced by sustained public and private sector involvement in world affairs. Engagement at all levels - political, economic, religious, educational and cultural - is the best tool to advance America's interests overseas. Local sanctions cut off engagement and undercut efforts to attract international investment that supports jobs and economic growth. Furthermore, the world's challenges require strong American leadership, and to lead the United States must speak with one voice. Local sanctions frustrate cooperation with U.S. trading partners who frequently view them as a violation of U.S. international commitments.

The Assembly's actions do not conform to the Supreme Court's finding in *NFTC vs. Crosby* and threaten U.S. capital markets. As a voice for over 550 U.S. manufacturing corporations, financial institutions and other U.S. firms having substantial international operations or interests, the NFTC urges you to withdraw the legislation previously adopted by your chamber, both in the interest of international engagement and in accordance with our Constitution.

Sincerely,

William A. Reinsch
President, NFTC